1985/86 Operation and Maintenance Budget Address

Yukon

Finance

1985/86
OPERATION AND MAINTENANCE BUDGET

PRESENTED BY
THE HONOURABLE T. PENIKETT
MINISTER OF FINANCE
AT THE SECOND SESSION
OF THE TWENTY-SIXTH LEGISLATIVE ASSEMBLY

WHITEHORSE, YUKON
OCTOBER, 1985

Yukon
Finance

TABLE OF CONTENTS

	Page
1985-86 OPERATION AND MAINTENANCE SPEECH	1
Economic Overview	3
Job Creation, Local Hire/Purchasing and Program Review	4
Comprehensive Review of Government Programs	6
Revenue and Banking Review	6
Budget Highlights	7
1985-86 O & M MAIN ESTIMATES AND SUPPLEMENTARY INFORMATION	
Financial Summary	13
Expenditure Summaries:	
By Department	14
By Sector (chart)	15
Revenue Summary by Source	16
Revenue Summary by Source (chart)	17
Revenues by Source (chart)	19
For Yukon	
For Provinces	
Major Territorial and Provincial Tax Rates	20
Expenditure Recoveries Summary	22
Permanent Establishment Summary	23
Full-Time Employment by Sector, 1985 (chart)	24
For Yukon	
For Canada	
Cost of Living, 1984 (chart)	25

1985-86 OPERATION AND MAINTENANCE

BUDGET SPEECH

ECONOMIC OVERVIEW

Mr. Speaker and Honourable Members, I am pleased to introduce today the Operations and Maintenance Budget for the fiscal year 1985-86.

This budget is designed to promote the economic well-being of the Yukon and to provide a basis for long term economic growth.

The past year has seen a steady improvement in the national economy. Recent forecasts are predicting that the gross national product will have grown at a rate of 3.9% in real terms. Inflation has declined from the highs experienced in the early 1980's to an annualized rate of 4.0%. Interest rates also have declined from record highs to a point where the prime rate is in the 10.5% range. Unemployment, however, remains a major problem with the seasonally adjusted Canadian unemployment rate for August being 10.3%. It is anticipated that the unemployment level will moderate only slightly over the medium term.

For the Yukon the economic recovery has been uneven and tenuous. While the mining and tourism sectors are expected to surpass 1984 production and expenditure levels, the Yukon continues to face an unemployment rate in excess of the national average. Prolonged high levels of unemployment are intolerable. It is the government's intention, through this budget and other measures, to increase the employment opportunities for all Yukoners now and over the longer term.

JOB CREATION, LOCAL HIRE/PURCHASING AND PROGRAM REVIEW

The series of economic reverses that our economy has experienced over the past several years has left it's mark in the form of an abnormally high rate of unemployment and a generally depressed business environment. While my government sees a gradual improvement occurring in job opportunities and in the general health of the business community, we do not intend to stand idly by while many individuals and families in Yukon suffer the debilitating effects of unemployment.

For too long, monies spent by government have flowed out of Yukon, not to the benefit of the businesses and citizens of the Yukon. We are determined to reverse this trend. To this end, we have already initiated a full-scale review of all spending programs and capital projects carried out by the government with a view to maximizing the local employment and purchase potential of each. We will examine the alternative methods of carrying out each and every program and project to ensure that the maximum benefit accrues to the Yukon's economy. In essence, we are saying that local employment generation and procurement of local materials will be significant factors in determining the government's spending priorities.

As must be apparent to this House, a review of this magnitude cannot be done overnight. We have already begun the process and it will, in fact, be a continuing process that will have an impact upon all of the spending decisions the government

makes in the future. The Yukon has a wealth of business and labour skills that are underutilized and the review process that we have begun will ensure that these skills are not left idle while others outside the Yukon benefit from the government's expenditures.

The Estimates that you will be asked to approve during the current sitting will reflect only a small portion of the review that we have been able to complete in the short time that has been available to us.

As part of the review, the Department of Finance has been instructed to determine the impact of government programs on private sector employment. This exercise has never been carried out before. Now that the methodology is in place, with continual refinement we will be able to monitor the impact of government expenditures on employment creation and maintenance in the private sector. As an example we expect that it will be possible to identify more precisely the employment potential for women and single parents of such small but important programs as Day-Care subsidies.

In an effort to foster economic growth, this government intends to develop an economic strategic plan as part of our Economic Planning Initiative. The Department of Economic Development has been allocated twenty-five thousand ($25,000) to begin developing the strategic plan. Such a plan will identify areas of potential economic opportunity and job creation and aid in the rational development of the Yukon economy.

COMPREHENSIVE REVIEW OF GOVERNMENT PROGRAMS

Our fiscal capacity, like that of any individual, business or other government, is finite and we must ensure that every dollar spent is done so efficiently and for a purpose that coincides with the government's policy objectives. Over the course of the next year, my Ministers will be conducting a comprehensive review of the government with the object of rationalizing the delivery of the myriad of services currently provided. We will be examining program objectives to ensure that they are internally consistent, consistent with each other and with government goals and objectives. We will be looking for duplication and overlapping of programs and, in conjunction with the program evaluation process, we will also be looking at value for money.

REVENUE AND BANKING REVIEW

As indicated in the Throne Speech we are also undertaking a comprehensive examination of our sources of revenue and the rate structure of our tax system. Such a comprehensive review has not been carried out for many years. I am hopeful that the review will be completed in sufficient time to incorporate any measures that may flow from it in the budget process for 1986-87.

The Department of Finance is also undertaking a comparative analysis of the banking services currently being provided to the

government in relation to our requirements. These services, as far as they go, are sufficient for operating purposes but are glaringly insufficient in terms of the banking services available to the public, especially in the outlying communities. It is the government's intention to ensure that a review of our banking requirements also takes into account the provision of adequate banking services throughout the Yukon.

BUDGET HIGHLIGHTS

Mr. Speaker, the Operation and Maintenance Estimates for 1985-86 which I am introducing amount to a total of one hundred and sixty million, one hundred and forty-one thousand dollars ($160,141,000). This represents an increase over the Main Estmates for 1984-85 of 8.0 percent.

In the Legislative Assembly an additional one hundred and forty thousand dollars ($140,000) has been allocated for support staff for opposition members of the Legislature.

The enhancement and protection of human rights coupled with the tabling of human rights legislation is a commitment of this government. The seventy thousand dollars ($70,000) allocated to the development of human rights legislation signals this government's continued commitment to ensuring the dignity of all Yukoners.

In the Department of Economic Development, monies have been provided to develop a "one-stop shopping" approach to the provision of business assistance programs. This initiative is in keeping with my government's commitment to facilitate business opportunities and private sector creation of job opportunities. This program is also a reflection of this government's policy of developing programs that are both efficient and effective. Another sixty-eighty thousand dollars ($68,000) has been provided to the Han Fisheries. This initiative resulted in the saving of fifteen jobs.

This government campaigned on a promise to improve the services provided to Native people. As part of that commitment one hundred and twenty-one thousand dollars ($121,000) has been included in the Department of Community and Transportation Services for the operation of the Old Crow water and sewer system. These funds are in addition to the capital funds that have been provided for the construction of the system.

To ensure that Native languages are transcribed and preserved for future generations, an additional one hundred thousand dollars ($100,000) has been provided to the Native Language Centre.

An additional two hundred and five thousand dollars ($205,000) has been allocated to the Department of Health and Human Resources for the training of resident social development workers. This program will provide job opportunities for

Yukoners and ensure the delivery of social programs by workers who are familiar with the social priorities and economic needs of the communities. As part of our commitment to provide additional job opportunities, funds have been allocated to enhance the Yukon Opportunity Plan. This will enable those currently receiving social assistance to pursue career opportunities and to once again become part of the economic mainstream.

In the 1984-85 Main Estimates, Own Source Revenues including Income Tax and Recoveries were estimated to be $38,302,000 and $24,692,000 respectively. For the current fiscal year, these figures are estimated to be $41,388,000 and $27,102,000 respectively. Similarly the estimated transfers from Canada for Established Program Financing (EPF) and the grant under Formula Financing are expected to increase over 1984-85.

With the introduction of Formula Financing the funding we will receive in any given year is much more certain than it was in the past. Formula Financing will also permit the Yukon to develop programs that are truly reflective of the needs and aspirations of all Yukoners.

The previously announced moratorium on off-road fuel oil tax, my government proposes to make permanent. The estimated cost of the exemptions of approximately $800,000 in revenue will be more than offset by the estimated benefit to the economy of $2.4 million. In these times of reduced economic activity, it is our view that the greatest possible relief should be afforded to

those sectors of the economy most in need. This initiative then will provide a much-needed stimulus for the mining, trapping, logging and commercial fishing and hunting sectors.

To ensure the Yukon's economic recovery, it is my intention not to propose any tax increases for the fiscal year 1985-86.

CONCLUSION

This budget represents the beginning of our efforts to foster the creation of job opportunities for all Yukoners. This is a goal, I am sure, that all members of this House can support and to that end I commend it to the favourable attention of all Honourable Members.

1985-86 OPERATION AND MAINTENANCE

SUPPLEMENTARY INFORMATION

FINANCIAL SUMMARY
(000's)

	1985-86 Estimates		1984-85 Forecast		1984-85 Estimates	
	$	%	$	%	$	%
OPERATION AND MAINTENANCE						
Grant from Canada	83,605 [3]	52.21	77,978	49.97	83,402 [2]	54.75
Recoveries	27,102	16.92	27,145	17.40	24,692	16.21
EPF	8,046	5.02	7,797	5.00	5,924	3.89
Own Revenues	41,388	25.84	43,117	27.63	38,302	25.15
	160,141	100.00	156,037	100.00	152,320	100.00
Expenditures	160,141	100.0	148,096	100.0	148,214	100.0
Surplus(Deficit)	-	100.0	7,941	100.0	4,106	100.0
LOAN CAPITAL						
Expenditures	3,900	100.0	850	100.0	3,253	100.0
Recoveries	3,900	100.0	850	100.0	3,253	100.0
LOAN AMORTIZATION						
Expenditures	1,839	100.0	1,851	100.0	1,817	100.0
Recoveries	1,839	100.0	1,851	100.0	1,817	100.0

1) The percent columns represents the of total for the year accounted for by that particular item.

2) This figure is subject to adjustment for changes in Revenue and EPF. These adjustments are expected to decrease the Transfer Payments by $5,424,000 to $77,978,000 in 1984-85.

3) Under Formula Financing, the Transfer Payment from Canada is no longer divided between O & M and Capital. The Transfer Payment is subject to adjustment for changes in Revenue, EPF and some Recoveries. At the present time the total Transfer Payment to be received by Yukon on behalf of 1985-86 is expected to be approximately $153,500,000. Of this total, $83,605,000 is currently being allocated to Operation and Maintenance.

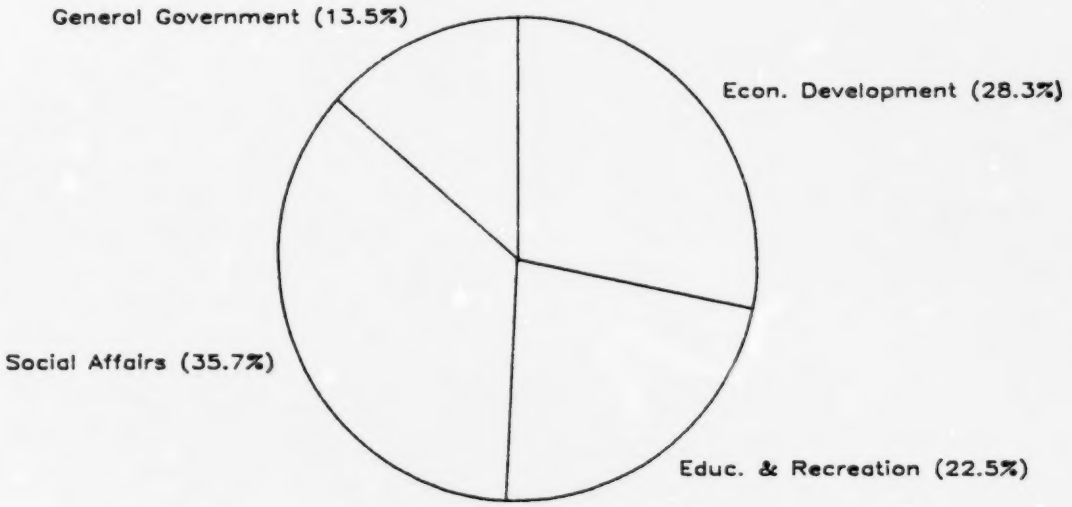
EXPENDITURE SUMMARY BY DEPARTMENT
(000's)

DEPARTMENT/AGENCY	1985-86 Estimates $	1985-86 Estimates %	1984-85 Forecast $	1984-85 Forecast %	1984-85 Estimates $	1984-85 Estimates %
Yukon Legislative Assembly	1,750	1.1	1,387	0.9	1,241	0.8
Executive Council Office	3,915	2.4	3,224	2.2	3,173	2.1
Community and Transportation Services	40,699	25.4	40,788	27.5	40,609	27.4
Economic Development : Mines and Small Business	3,689	2.3	2,268	1.5	2,430	1.6
Education	36,263	22.6	34,157	23.1	33,006	22.3
Finance	2,902	1.8	2,410	1.6	2,688	1.8
Government Services	10,437	6.5	9,598	6.5	9,388	6.3
Health and Human Resoures	35,013	21.9	30,692	20.7	33,278	22.5
Justice	14,363	9.0	13,646	9.2	13,227	8.9
Public Service Commission	2,484	1.6	2,277	1.5	2,072	1.4
Renewable Resoures	5,444	3.4	5,090	3.4	4,881	3.3
Tourism	3,182	2.0	2,559	1.7	2,221	1.5
	160,141	100.00	148,096	100.00	148,214	100.00

The percent columns represent the percent of total expenditures for the year accounted for by that particular department/agency.

EXPENDITURE BY SECTOR, 1985–86

YUKON



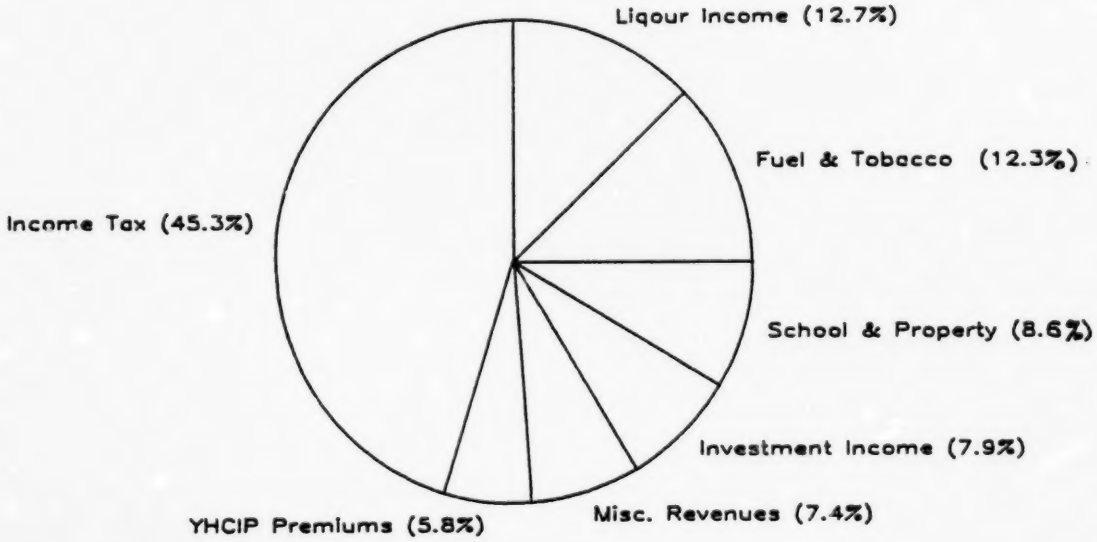
REVENUE SUMMARY BY SOURCE
(000's)

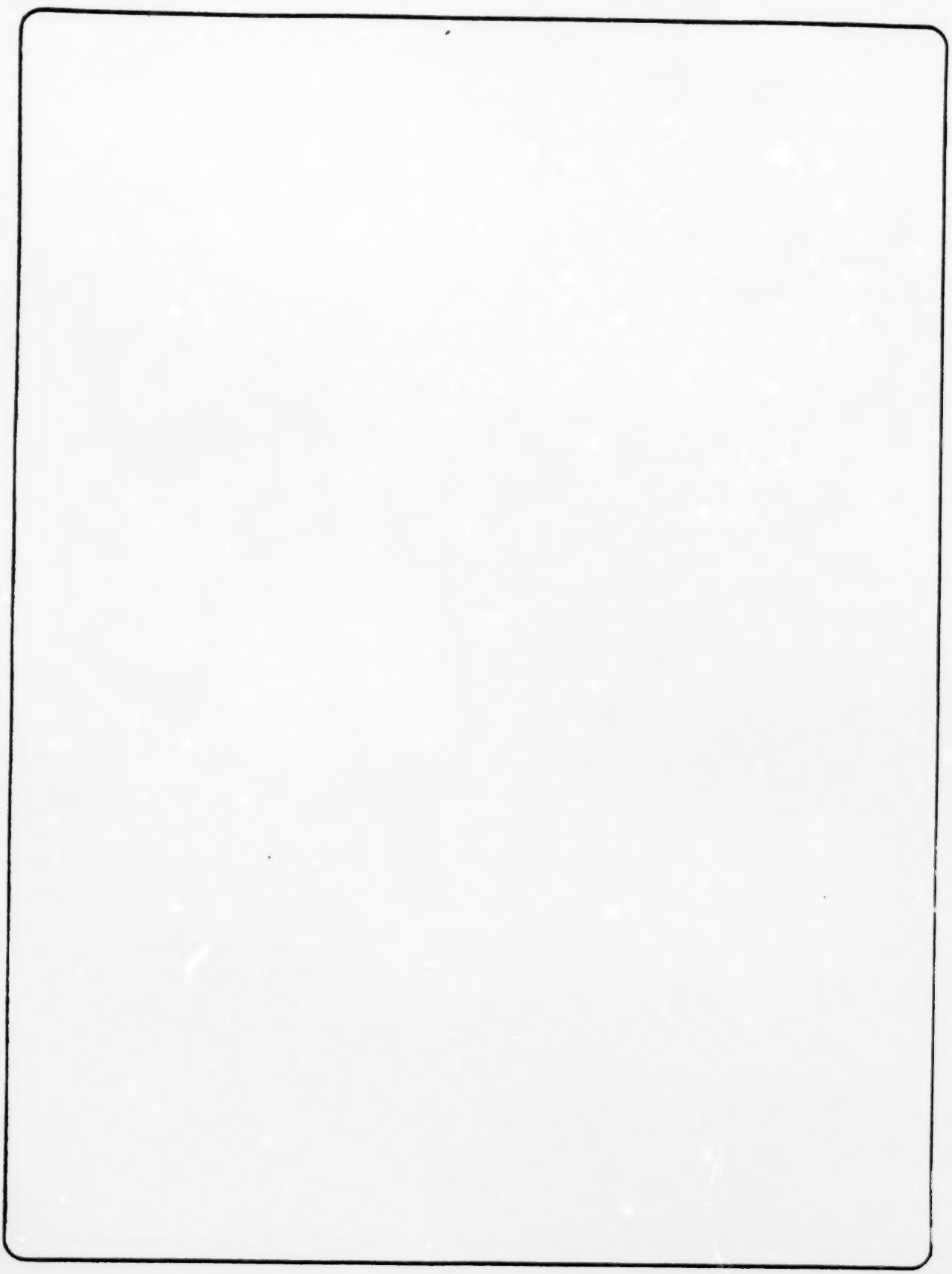
SOURCE	1985-86 Estimates $	1985-86 Estimates %	1984-85 Forecast $	1984-85 Forecast %	1984-85 Estimates $	1984-85 Estimates %
Taxes						
Income Tax	18,750	11.7	16,392	10.5	15,207	10.0
School and Property	3,570	2.2	3,428	2.2	3,359	2.2
Fuel Oil	3,795	2.4	4,541	2.9	4,605	3.0
Tobacco	1,300	0.8	1,357	0.9	1,270	0.8
Insurance	280	0.2	310	0.2	310	0.2
Other	50	.0	88	0.1	90	0.1
Total Taxes	27,745	17.3	26,116	16.7	24,841	16.3
Liqour Income	5,245	3.3	5,890	3.8	6,046	4.0
Investment Income	3,250	2.0	5,223	3.3	2,500	1.6
YHCIP Premiums	2,420	1.5	2,861	1.8	2,200	1.4
Licences, Fees, Registrations and Permits	2,563	1.6	2,774	1.8	2,563	1.7
Fines	147	0.1	162	0.1	140	0.1
Miscellaneous	18	.0	91	0.1	12	.0
Own Source Revenues	41,388	25.8	43,117	27.5	38,302	25.1
Recoveries	27,102	16.9	27,145	17.4	24,692	16.2
Established Program Financing	8,046	5.0	7,797	5.0	5,924	3.9
Grant from Canada	83,605	52.2	77,978	50.0	83,402	54.8
Total Revenue	160,141	100.0	156,037	100.0	152,320	100.0

The percent columns represent the percent of total revenues for the year accounted for by that particular revenue source.

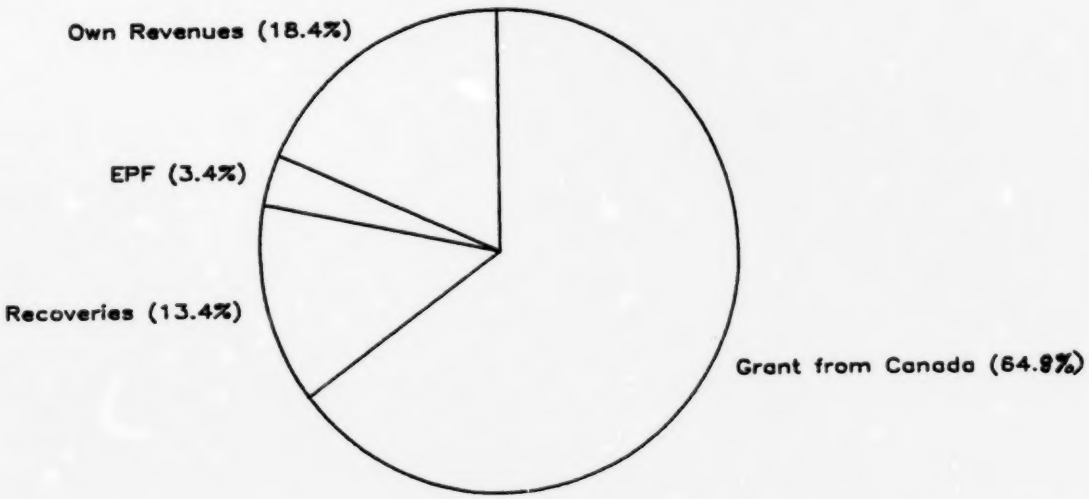
REVENUE SUMMARY BY SOURCE, 1985–86

YUKON

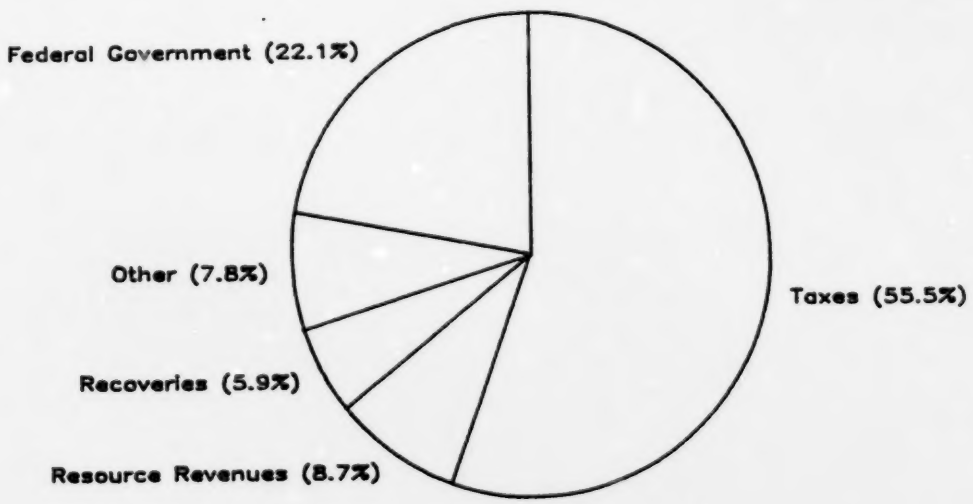




REVENUES BY SOURCE – YUKON
1985–86



REVENUES BY SOURCE – PROVINCES
1984–85



MAJOR TERRITORIAL AND PROVINCIAL TAX RATES*

JULY 1, 1985

	PERSONAL INCOME TAX								CORPORATE INCOME TAX			HEALTH CARE	
	BASIC RATE %	HIGH INCOME SURCHARGE %	RETAIL SALES TAX	GASOLINE TAX ¢/litre	DIESEL FUEL TAX ¢/litre	HEATING OIL TAX ¢/litre	AVIATION FUEL TAX ¢/litre	TOBACCO TAX ¢/25 cigs(a)	SMALL BUSINESS %	GENERAL RATE %	CAPITAL TAX (b)	PREMIUM INDIVIDUAL FAMILY	
Northwest Territories	43.0	--	--	6.5/3.9(c)	5.5	--	1.0	52.5	10.0	10.0	--	--/--	
Alberta	43.5	--	--	--	--	--	0.7	37.0	5.0	11.0	--	168/336	
Yukon	45.0	--	--	4.2	5.2	0.2	0.7	40.0	5.0	10.0	--	240/330	
British Columbia	47.5	10.0	7.0	8.42	8.86	--	2.94	68.0	8.0	16.0	0.2	192/408	(d)
Ontario	50.4	5.0	7.0	8.0	9.3	--	1.77	66.5	10.0	15.0	0.3	340/680	
Saskatchewan	50.5	12.0	5.0	--	--	--	2.9	77.5	10.0	16.0	0.3	--/--	
Prince Edward Island	52.5	--	10.0	9.9	10.9	--	0.7	38.0	10.0	10.0	--	--/--	
Manitoba	54.0	20.0	6.0	8.0	9.2	--	4.8	77.5	10.0	16.0	0.2	--/--	(d)
Quebec	(e)	--	9.0	12.9	11.25	--	8% retail	90.0	3.0	5.5	0.45	--/--	(d)
Nova Scotia	56.5	--	10.0	9.8	9.7	--	0.9	50.0	10.0	15.0	--	--/--	
New Brunswick	58.0	--	10.0	9.9	9.7	--	1.8	93.0	9.0	15.0	--	--/--	
Newfoundland	60.0	--	12.0	10.7	12.7	--	0.7	119.5	10.0	16.0	(f)	--/--	

(1) Quebec personal income tax is expressed as a % of taxable income.

MAJOR TERRITORIAL AND PROVINCIAL TAX RATES (Cont'd)

Notes to table:

a Rate calculated on an ad valorem basis.

b The rate that applies to all industries except financial institutions (in most jurisdictions). A capital tax is levied annually as a percentage of corporate assets.

c 3.9¢ per litre for communities not served by the highway system.

d Manitoba and Quebec employers contribute 1.5% and 3% respectively of their payroll to a Health Services Fund.

e Quebec levies its own personal income tax which has an approximate range of 50% to 60% of federal tax.

f Only bank, loan and trust companies are subject to a capital tax (1.5%) in Newfoundland.

EXPENDITURE RECOVERIES SUMMARY
(000's)

DEPARTMENT/AGENCY	1985-86 Estimates $	1985-86 Estimates %	1984-85 Forecast $	1984-85 Forecast %	1984-85 Estimates $	1984-85 Estimates %
Yukon Legislative Assembly	-	0.0	-	0.0	-	0.0
Executive Council Office	22	0.1	17	0.1	22	0.1
Community and Transportation Services	13,258	48.9	13,986	51.5	13,270	53.7
Economic Development : Mines and Small Business	2,157	8.0	2,084	7.7	1,378	5.6
Education	3,753	13.8	2,718	10.0	2,483	10.0
Finance	100	0.4	25	0.1	25	0.1
Government Services	129	0.5	112	0.4	178	0.7
Health and Human Resources	7,180	26.5	7,378	27.2	6,756	27.4
Justice	453	1.7	569	2.1	420	1.7
Public Service Commission	-	0.0	-	0.0	-	0.0
Renewable Resources	38	0.1	206	0.8	168	0.7
Tourism	12	.0	50	0.2	12	.0
	27,102	100.00	27,145	100.00	24,692	100.00

The percent columns represent the percent of total recoveries for the year accounted for by that particular recovery.

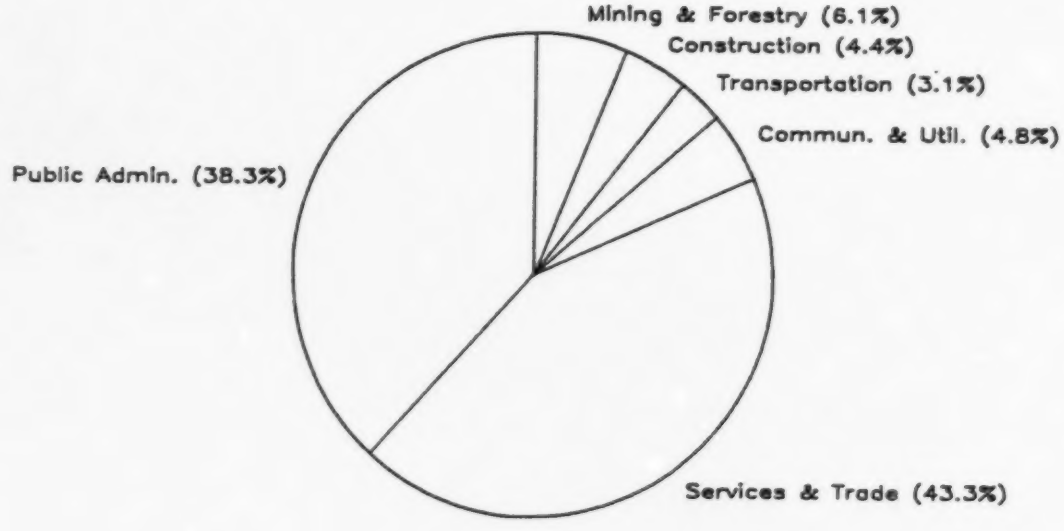
PERMANENT ESTABLISHMENT SUMMARY

DEPARTMENT/AGENCY	1985-86 Estimates P.Y.	%	1984-85 Forecast P.Y.	%	1984-85 Estimates P.Y.	%
Yukon Legislative Assembly	5.0	0.3	5.0	0.3	5.0	0.3
Executive Council Office	54.5	3.5	51.5	3.4	49.5	3.3
Community and Transportation Services	321.3	20.7	320.8	21.2	318.8	21.4
Economic Development : Mines and Small Business	26.0	1.7	21.0	1.4	18.5	1.2
Education	532.8	34.3	525.8	34.8	513.5	34.5
Finance	46.0	3.0	46.0	3.0	46.0	3.1
Government Services	134.5	8.7	134.5	8.9	146.5	9.9
Health and Human Resources	168.7	10.9	155.7	10.3	152.7	10.3
Justice	143.5	9.2	137.5	9.1	132.5	8.9
Public Service Commission	25.0	1.6	23.0	1.5	23.0	1.5
Renewable Resources	69.5	4.5	69.8	4.6	59.8	4.0
Tourism	25.2	1.6	21.2	1.4	20.5	1.4
	1,552.0	100.00	1,511.8	100.00	1,486.3	100.00

The percent columns represent the percent of total person years for the year accounted for by that particular department/agency.

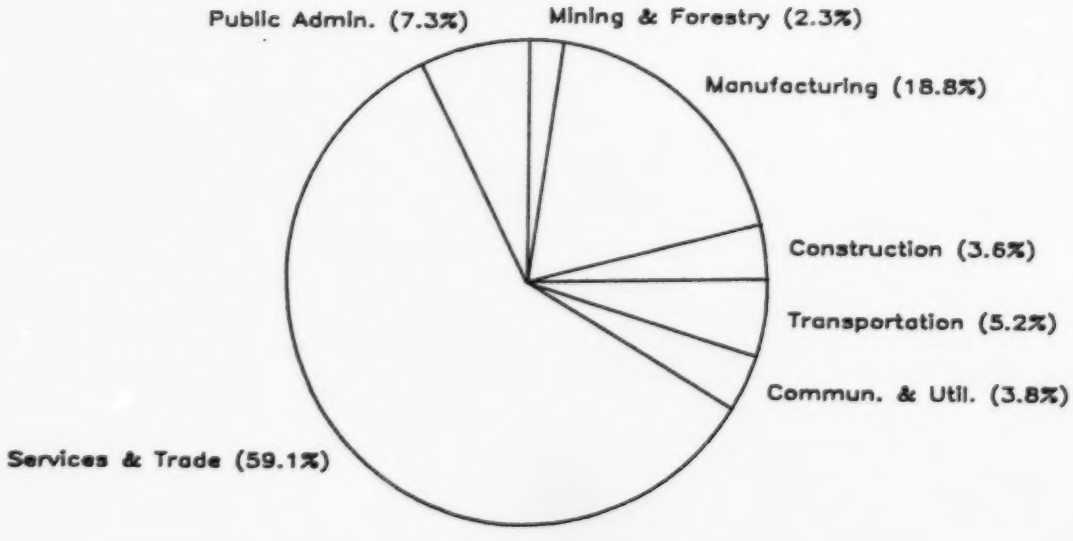
FULL TIME EMPLOYMENT BY SECTOR, 1985

YUKON



FULL TIME EMPLOYMENT BY SECTOR, 1985

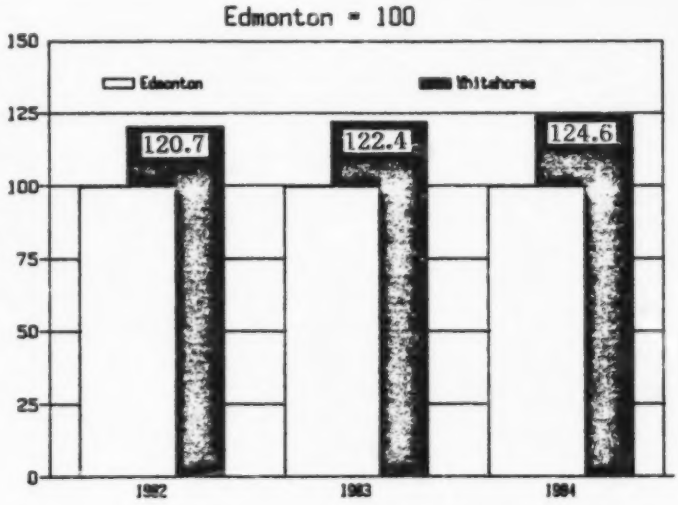
CANADA



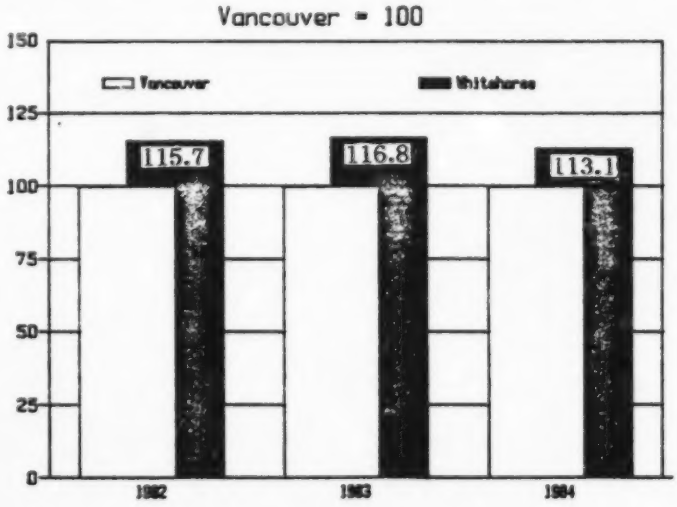
COST OF LIVING

1984

A. Whitehorse Compared To Edmonton



B. Whitehorse Compared To Vancouver



BUREAU OF STATISTICS